



CITY OF MORRO BAY CITY COUNCIL AGENDA

The City of Morro Bay provides essential public services and infrastructure to maintain a safe, clean and healthy place for residents and visitors to live, work and play.

NOTICE OF SPECIAL MEETING

**Tuesday, December 08, 2020 – 3:00 P.M.
Held Via Teleconference**

ESTABLISH QUORUM AND CALL TO ORDER

PUBLIC COMMENT FOR ITEMS ON THE AGENDA

Pursuant to Section 3 of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, this Meeting will be conducted telephonically through Zoom and broadcast live on Cable Channel 20 and streamed on the City website (click [here](#) to view). Please be advised that pursuant to the Executive Order, and to ensure the health and safety of the public by limiting human contact that could spread the COVID-19 virus, the Veterans' Hall will not be open for the meeting.

Public Participation:

In order to prevent and mitigate the effects of the COVID-19 pandemic, and limit potential spread within the City of Morro Bay, in accordance with Executive Order N-29-20, the City will not make available a physical location from which members of the public may observe the meeting and offer public comment. Remote public participation is allowed in the following ways:

- Community members are encouraged to submit agenda correspondence in advance of the meeting via email to the City Clerk's office at cityclerk@morrobayca.gov prior to the meeting and will be published on the City website with a final update one hour prior to the meeting start time. Agenda correspondence received less than an hour before the meeting start time may not be posted until after the meeting.
- Members of the public may watch the meeting either on cable Channel 20 or as streamed on the City [website](#).
- Alternatively, members of the public may watch the meeting and speak on a specific agenda item by logging in to the Zoom webinar at the **beginning** of the meeting using the information provided below. Please use the **"raise hand"** feature to indicate your desire to provide public comment. Each speaker will be allowed three minutes to provide input.

Please click the link below to join the webinar:

- <https://us02web.zoom.us/j/82722747698?pwd=aWZpTzcwTHlRTk9xaTlmWVNWRFWFUQT09>
Password: 135692

- Or Telephone Attendee: 1 (408) 638-0968 or 1 (669) 900 6833 or 1 (346) 248 7799;
Webinar ID: 827 2274 7698; Password: 135692; Press *9 to **"Raise Hand"** for Public Comment

SPECIAL MEETING AGENDA ITEMS:

- I. FISCAL YEAR 2020/21 FIRST QUARTER BUDGET PERFORMANCE AND STATUS REPORT FOR THE THREE-MONTH PERIOD ENDING SEPTEMBER 30, 2020: 1) RECEIVE FISCAL YEAR 2020/21 FIRST QUARTER BUDGET PERFORMANCE AND STATUS REPORT AND AUTHORIZE BUDGET ADJUSTMENTS AS RECOMMENDED IN THE ATTACHED FIRST QUARTER BUDGET PERFORMANCE REPORT; 2) ADOPT RESOLUTION NO. 101-20 AUTHORIZING STAFF TO PROCEED WITH THE FIRST-QUARTER BUDGET ADJUSTMENTS; AND 3) ALLOCATION OF \$29,000 FROM CALIFORNIA SENATE BILL 1090 FUNDS AVAILABLE IN THE ECONOMIC DEVELOPMENT FUND FOR SMALL BUSINESS GRANTS TO MORRO BAY BUSINESSES. (FINANCE DEPARTMENT)

RECOMMENDATION: Staff recommends that the City Council:

1) Receive the attached Fiscal Year 2020/21 First Quarter Budget Performance and Status Report for the three-month period ending September 30, 2020; and 2) Adopt Resolution No. 101-20 authorizing staff to proceed with the first-quarter budget adjustments; and 3) Allocate \$29,000 from California Senate Bill 1090 funds available in the Economic Development Fund for small business grants to Morro Bay businesses. This would allow a total of \$50,000 to be awarded in the future.

ADJOURNMENT

DATED: December 4, 2020



John Headding, Mayor

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN A CITY MEETING, PLEASE CONTACT THE CITY CLERK'S OFFICE AT LEAST 24 HOURS PRIOR TO THE MEETING TO INSURE REASONABLE ARRANGEMENTS CAN BE MADE TO PROVIDE ACCESSIBILITY TO THE MEETING.



AGENDA NO: I

MEETING DATE: December 8, 2020

Staff Report

TO: Honorable Mayor and City Council

DATE: December 2, 2020

FROM: Katie Lichtig, Interim Finance Director

SUBJECT: Fiscal Year 2020/21 First Quarter Budget Performance and Status Report for the Three-Month Period Ending September 30, 2020

1. Receive Fiscal Year 2020/21 First Quarter Budget Performance and Status Report and Authorize Budget Adjustments as Recommended in the Attached First Quarter Budget Performance Report; and
2. Adopt Resolution No. 101-20 authorizing staff to proceed with the first-quarter budget adjustments; and
3. Allocation of \$29,000 from California Senate Bill 1090 funds available in the Economic Development fund for small business grants to Morro Bay Businesses

RECOMMENDATION

Staff recommends that the City Council:

1. Receive the attached Fiscal Year 2020/21 First Quarter Budget Performance and Status Report for the three-month period ending September 30, 2020; and
2. Adopt Resolution No. 101-20 authorizing staff to proceed with the first-quarter budget adjustments;
3. Allocate \$29,000 from California Senate Bill 1090 funds available in the Economic Development Fund for small business grants to Morro Bay businesses. This would allow a total of \$50,000 to be awarded in the future.

BACKGROUND

The attached first Quarterly Budget Report covers the first three months of Fiscal Year (FY) 2020/21 (July 1, 2020 through September 30, 2020). The report presents analysis related to the key General Fund revenues and expenditures by category as well as an analysis of the City's Tourism Fund; Measure Q Fund; and Water, Sewer and Harbor Enterprise Funds as well as the City's Water Reclamation Facility (WRF) Capital Project. Just a quick reminder that the City adopted the FY 2020/21 budget with significantly reduced revenues and expenditures due in large part to the unexpected and unprecedented local impacts resulting from the COVID-19 pandemic health emergency.

The City and our community are facing significant uncertainties. The City is responding to an ever-evolving public health crisis, which has caused upheaval of our economy, including significant unemployment and business closures in the region. Given these dynamic factors a word of caution about this financial analysis – it is based on the best information available at this specific moment in time. The situation is dynamic and unpredictable. In other words, staff is expecting the situation (health, unemployment, and fiscal impacts) to worsen over the coming weeks and potentially months. Governor Newsom announced significant new restrictions (the week of November 30th, and

Prepared By: KEL

Dept Review: _____

City Manager Review: SC

City Attorney Review: _____

as recently as December 3, 2020) with the intent of “flattening the curve” or lowering the spread of the virus. As Council is aware, similar restrictions put in place this past spring had significant local impacts on the economy and City revenues. The City experienced dramatic declines in Transient Occupancy Tax and sales tax during that shelter at home order period. As such, it is crucial that the City retain as much financial flexibility as possible until there is a clearer understanding of the impacts of this phase of the health emergency.

This year, the Council, community, and staff worked tirelessly to provide the highest priority services, understanding that the City faced dwindling revenues. With resources from funds set aside for emergencies (i.e., General Fund Emergency Reserves) and resourceful and dedicated staff who slowed projects, took pay cuts, and reduced spending to achieve maximum flexibility at the end of the Fiscal Year, budgets were balanced. For the General Fund to achieve this outcome required allocating a significant amount of funding from the General Fund Emergency Reserve (GFER). The following chart shows the decline of General Fund Unassigned Fund Balances including the GFER. The remaining General Fund Unassigned Balances can be used in the future to fill the gap between revenues and expenditures. Although it is important to remember, if these funds are being used to fill a hole in an operating budget (on-going expenses) the City will not have a source of funds to sustain the operating budget once these funds are used.

**General Fund Unassigned Fund Balances
Summary of Revenues and Expenditures**

	FY 2019-20 (actual)	FY 2020-21 (projected)
Starting Fund Balance	\$3,808,577	\$2,384,436
Revenues	180,161	370,380
Expenditures	(426,669)	(20,853)
Transfer to GF to Support Operating Deficit	1,177,633	1,283,319
Ending Fund Balance	\$2,384,436	\$1,450,644

One clear note of optimism for the General Fund comes as a result of the voter approved local sales tax Measure E-20. Collection of this new tax will begin in April and the City will see the full effects of implementation (revenue collection and disbursement by the State) in the upcoming fiscal year (FY 2021/22). Our sales tax experts estimate that this could generate more than \$2 million per Fiscal Year. There is great excitement about this new revenue stream, so much so that there are likely to be more needs than can be accommodated. Staff anticipates asking Council to prioritize spending of these funds as part of the FY 2021/22 Budget process.

Unfortunately, the timing of this matter before the Council and the fact that there is no regularly scheduled meeting of the Citizen’s Finance Advisory Committee (CFAC) in November 2020 meant that the draft was not presented before this matter was brought to the Council. CFAC will be presented the 1st Quarter Review at its December 15 meeting and staff will respond to any questions from the CFAC. Staff will send any additional material sent to CFAC such as questions and answers if they are produced.

DISCUSSION

Revenues

An analysis of the FY 2020/21 General Fund revenues shows they are tracking steady to budget with some exceptions, which are outlined below and in more detail in Attachment 1. For Q1, the General Fund has collected 18% of budgeted revenue before accounting for inter and intra fund transfers. Inter and intra fund transfers move money between and within departments to ensure the appropriate department is paying for the services provided by another department although the expenditures are charged to the department providing the service. There are some revenue sources (Property Tax) that do not come to the City during the first quarter so this amount should not be cause for concern. This compares to 16% for the same time last year.

Three bright spots on General Fund revenues are the rebound of Transient Occupancy Tax (TOT), higher sales tax projections from the City's experts and updated estimates of property tax receipts that indicate the City will receive more property taxes than previously estimated by the County. The other positive news about revenues comes from the opening of the first of two cannabis retail operations. Early indications point towards exceeding revenue projections. Consistent with Council policy, the City will not budget this revenue in the General Fund for on-going expenses (like new staff) for the next two years. This policy is intended to ensure revenue stabilizes at a predictable level before dedicating it to an on-going cost. Staff believe the most prudent approach is to dedicate these funds to replenishing the General Fund Emergency Reserve. Staff will return at mid-year Budget Review in February with a recommendation regarding cannabis tax revenue.

One word of caution about two of the three bright spots (TOT and sales tax): this information came to the City before the County's recent change in COVID-19 status in the county to the "Widespread" or Purple tier of restrictions including a travel advisory and a more stringent "stay at home" order coming down from the Governor. The "stay at home" order could close or significantly curtail the operations of hotels, attractions, and restaurants/bars/distilleries/wineries. Just for context, in the last quarter of FY 2019-20 (April, May and June) TOT dropped to \$33,006; \$109,108; and \$294,595, respectively which amounts to a 9 percent drop from the quarter before. Considering that these two categories of revenue are tourist dependent and the State's newest restrictions are like the restrictions this past spring, it seems prudent to avoid any action that depends on these added revenues at this time.

One area where the City is currently seeing a decline in anticipated revenues is in Recreation Administration. The Recreation Division has done an outstanding job to creatively and safely implement programs allowed by County Health Official Orders. They are working tirelessly to provide childcare to essential workers and assist in any way possible to create opportunities for community wellness and learning. However, there are programs that staff anticipated being active this fiscal year and, unfortunately, the intensification of the pandemic in our region has prevented these programs from being offered. This will have a negative impact on revenues to the General Fund (as much as \$100,000). There is some optimism that this loss in revenue could be off-set by next year's Junior Lifeguards Program if that is allowed to go forward. Staff is looking at how to offer this program with participant safety as our top priority and limiting costs. Staff will be watching and planning for each of these issues carefully in the coming months as preparation begins on next year's budget.

Expenditures

Staff also reviewed first quarter expenditure budget results for all City Departments and funds. This analysis found overall operating expenditures are trending about right in line with the budget, at 26 percent of budgeted totals for all funds. We are trending just slightly higher than the expected 25%

due to the following factors:

- Payments in July for unfunded liability portion of the City's pension obligation to receive a discount (\$60,000 or 3.3% of amount owed) and 50% of amount owed to the California Joint Powers Insurance Authority (CJPIA) for workers' compensation and liability insurance.
- A significant amount of Fire staff deployments in response to wildland fires for which reimbursement has not yet been received. There were 12 deployments during the first quarter of FY 2020-21. The City diligently pursues reimbursement for personnel, vehicles, and administrative overhead. The Fire Chief reports that staff have submitted claims to the State, and he anticipates receiving full cost reimbursement for all deployments and overhead expenses. The Fire Chief anticipates receiving the City's reimbursement no later than June 30, 2021. More details are provided in Attachment 1.
- Expenses to launch the Pilot RV program. These costs were anticipated but not budgeted. Harbor staff intends to return to Council with a review of the program soon after the new year and will include budget adjustments as warranted.

Overall, the City's General Fund operating expenditures, which includes personnel expenses, contract services, and supplies and materials (excluding inter and intra fund transfers), total 31% of the budget. While this appears to be higher than expected at this point of the Fiscal Year if the analysis excludes the unfunded liability payments made in full during Q1 (rather than being spread over the course of the year) then the percentage is 21%. This positive trend is due to the great work of Council and staff to continue to control costs.

The first quarter analysis of the Morro Bay Tourism Business Improvement District (MBTBID), Measure Q, Water, Sewer, Harbor and WRF funds is provided in Attachment 1. These funds are generally in line with expectations except the Water and Sewer funds are feeling some impact from delinquent payments. More details on this issue are presented in Attachment 1. In the case of MBTBID, expenses are well below budget. As a result of budget availability and the alignment with the project's mission MBTBID will fund the contract with Civitas who will evaluate transitioning to a 5-year TBID that would be managed by a non-profit board. As planned, Measure Q funding for the paving has been suspended to ensure sufficient revenues are being received. This prudent approach to spending Measure Q resources will facilitate the staff recommendation to fund the vacant police officer position. This action is consistent with input received from CFAC during their discussion of the Measure Q budget for FY 2020/21 and from the community through the survey conducted in late 2019. Staff will continue to monitor these funds and bring forward any necessary budget adjustments during the mid-year.

Lastly the Council and staff have been working with the business community to issue grants to help our local business owners weather this economic storm. The Council dedicated \$100,000 to small business grants from the Economic Development Fund - SB1090 Diablo Canyon Nuclear Power Plant Closure settlement account. Staff is preparing to issue \$79,000 in grants during the week of December 7, 2020 (leaving \$21,000 for future awards). In recognition of the difficult times small businesses will face in the coming months due to the COVID-19 surge, staff recommends that the Council consider dedicating an additional \$29,000 of SB1090 funding to small business grants so the total of another \$50,000 can be awarded to struggling small businesses in Morro Bay. Staff seeks Council direction on this matter.

Staff is recommending the following budget related actions by the City Council.

1. **Police Department Parking Annex Repairs and Repaving**

Action: Appropriate \$70,000 to a new General Fund CIP account in Fund 915

Source: Governmental Impact Fees - Police (balance = \$78,253 as of 10/29/2020)

Additional Direction: The parking lot was damaged during a neighboring construction project, and the entire lot needs to be repaved. The neighboring responsible party will reimburse the City the cost of repairing damage from a crane that was mobilized on this parking lot. Staff is currently estimating this cost to be approximately \$10,000. Staff recommends that whatever is received from the responsible party will be deposited in the Governmental Impact Fees - Police account.

2. **Harbor Fund – COVID-19 Rent Relief**

Actions: Authorize a one-year suspension of Consumer Price Index increase in lease rent rates, to assist lease holders through the COVID challenges. This will result in a \$34,000 reduction in anticipated revenue in (budget account 331-3440). Of this amount, \$24,000 will be covered by revenues exceeding expenditures in the Harbor Operating Fund. Staff proposes appropriating the remaining \$10,000 from Fund 925 Triangle Lot Fund – Boat Storage Yard (Balance = \$15,384).

3. **Harbor Fund – Funding for Lease Site Improvements**

Actions: Appropriate \$50,000 to Harbor Operating Fund for leasehold improvements at the former Morro Bay Aquarium building (Lease Site 69-70/69W-70W). These improvements will allow for 3 Stacks and Rock Brewery to open their business at the site (once construction and onsite improvements are completed and COVID-19 restrictions are lifted).

Source: Harbor Accumulation Fund (Balance = \$333,760)

4. **Fill Police Officer Vacancy**

Action: Authorize actions necessary to repurpose \$52,400 of existing budget authority in Measure Q to fund the hiring of one police officer. Amount equals fully loaded cost for the remainder on FY 20-21

Source: Capital Improvement Fund Pavement Management Project

Additional Information: \$325,000 of Measure Q funds are budgeted in FY20-21 CIP. This recommended action is consistent with input received from CFAC during consideration of the FY20-21 proposed budget and community priorities established in the survey conducted in late 2019.

5. **Study of Parking Management Strategies and Best Practices**

Action: Appropriate \$49,500 from unassigned fund balance in the Parking In-lieu Fund (Fund 299)

Additional Information: The contract moved forward following Council approval earlier this year. (Balance = \$384,839)

6. **Wayfinding Signs Fabrication and Installation**

Action: Appropriate \$150,000 to a General Fund CIP Account for purposes of implementing a CIP project.

Source: Economic Development Fund (Diablo Canyon Plant Closure Senate Bill 1090 funds).

Additional Information: These funds must be used for Economic Development. Having Morro Bay be easy to navigate for residents, businesses and visitors is a worthy economic development measure. This project is mentioned as a priority project in the adopted FY2020/21 Budget. (Balance SB1090 = \$593,603)

CONCLUSION

Staff recommends that the City Council take the following actions:

1. Receive and file the First Quarter Budget Performance and Status Report for the period ending September 30, 2020; and
2. Adopt Resolution No. 101-20 authorizing staff to proceed with the first-quarter budget adjustments as outlined in the six items above and in Exhibit A to Attachment 2.
3. Provide direction to staff regarding the allocation of \$29,000 from SB1090 funds available in the Economic Development Fund for small business grants to Morro Bay businesses. This would allow \$50,000 to be awarded in the future.

ATTACHMENTS

1. First Quarter Budget Performance and Status Report for First Quarter Fiscal Year 2020-21 (period ending September 30, 2020)
2. Resolution No. 101-20 Authorizing Staff to Proceed with the First Quarter Budget Adjustments.

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

INTRODUCTION

Purpose

This is the first quarterly budget report for the Fiscal Year (FY) 2020/21, for the three-month period ending September 30, 2020. The purpose of this quarterly public reporting is twofold. First, it ensures that the City is consistently monitoring its revenues and expenditures so that it can proactively respond to unanticipated changes or emerging trends. Second, and equally important, these reports increase the transparency of City finances. The City is ultimately accountable to its residents to use the revenue it brings in efficiently and effectively to provide the highest quality services, and quarterly public reporting provides taxpayers with the information they need to hold the City to this standard.

Content

This quarterly report presents an overview of the City's operating revenues and expenditures from the General Fund for the quarter ending September 30, 2019, as compared to previous years, and explains any notable aberrations or trends in these numbers.

This report focuses on General Fund operating revenues and expenditure, four enterprise funds and two other funds (Morro Bay Tourism Improvement District and Measure Q). Together these funds represent most of the services provided by the City as well as city spending.

Timeframe and Limitations

The information in this report is the most accurate and up-to-date information available at the time of publication for this period (FY2020/21 1st Quarter). However, this report is not an audited financial statement, and the numbers provided herein are preliminary and subject to change as the year progresses. No data on revenues and expenditures are final until the City has completed its annual comprehensive audit, which is released in the winter of each year for the prior fiscal year.

With respect to revenues: The City monitors and adjusts its revenue projections based on revenue performance and other developments that may affect City revenues. This is done in order to develop a more accurate picture of the City's anticipated year-

end financial position. However, if no remarkable change in the fund's year end position is anticipated no budget adjustment will be recommended.

With respect to expenditures: The expenditure information in this report is extracted directly from the City's financial management system, and adjustments are made to account for certain known payments, reimbursements, or transfers between City departments and funds that have not yet been processed in the system at the time of publication. It represents a snapshot of City expenditures at a certain point in time (September 30, 2020).

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QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

EXECUTIVE SUMMARY

Status of FY 2020/21 Adopted Budget

Overall, first quarter revenue trends are steady when compared to the first quarter of Fiscal Year 2020/21 at about 15% of budgeted levels. Of the City's most economically sensitive revenues - sales tax and Transient Occupancy Tax (TOT) are consistent with prior year's first quarter results. Property tax is trending a bit higher than in prior years actuals due to the early receipt of unsecured property tax. Fines and Forfeitures, Charges for Service, and Licenses and Permits categories are trending consistent with prior years.

Overall, General Fund expenditures for the first quarter are consistent with prior years at approximately 27% of budgeted levels. Supplies, Materials and Services expenditures at about 15% of budget, consistent with prior years. Overall salary and benefits are trending high but primarily due to the large annual payment to CalPERS for our required contribution for Unfunded Accrued Liability (UAL) made in July. The UAL payment is a payment made in July which totaled \$1,251,698 (\$116,466 more than last year). Paying this all in July resulted in a savings to the of approximately \$60,000. When adjusted for this payment, Salaries and Benefits are consistent with prior years at approximately 22% of budgeted levels. With only three months of data available, however, it is difficult to predict revenues and expenditures for the remainder of the year. Additionally, with this week's announcement from Governor Newsom that the State has instituted criteria for the next "stay at home" order there is considerable uncertainty about future revenue. Considering this, staff continues to be cautious in our approach to while monitoring fiscal developments very closely.

Staff is recommending six budget adjustments in order to ensure

1. Police Department Parking Annex Repairs and Repaving totaling \$70,000 from Governmental Impact Fees - Police account.
2. Harbor Fund – COVID-19 Rent Relief totaling \$34,000 (\$24,000 from existing budget and \$10,000 from Triangle Lot Fund
3. Harbor Fund – Funding for Lease Site Improvements totaling \$50,000 from the Harbor Accumulation Fund
4. Fill Police Officer Vacancy totaling \$52,400 from Measure Q (reallocating from Pavement Management Plan project)
5. Study of Parking Management Strategies and Best Practices \$49,500 from Parking In-lieu Fund
6. Wayfinding Signs Fabrication and Installation totaling \$150,000 Economic Development Fund (Diablo Canyon Plant Closure Senate Bill 1090 funds).

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

GENERAL FUND – KEY REVENUE ANALYSIS

The following discussion provides a status of significant General Fund revenue sources as of the first quarter, ending September 30, 2020.

Staff monitors each revenue source closely and may recommend certain revenue adjustments based on revenue actuals or state budget actions.

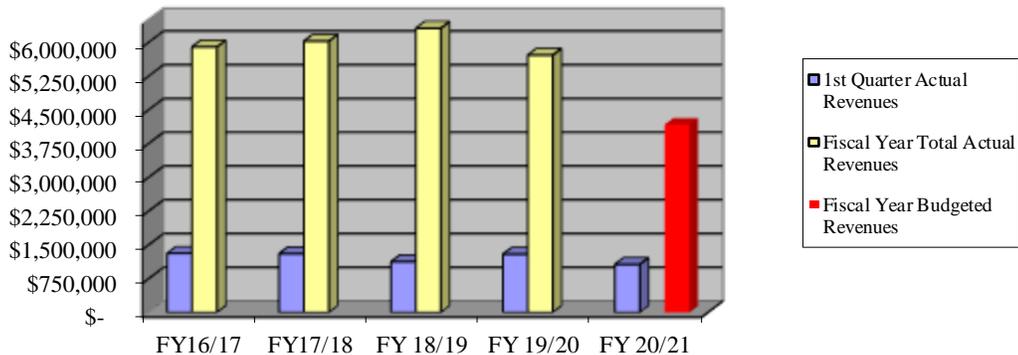
Other Taxes

Other taxes include sales and use tax, Prop 172 public safety sales tax, property transfer tax, transient occupancy tax (TOT), and Franchise Fees. As a category, other taxes represent 40.7% of the City’s total General Fund revenues with transient occupancy tax is a component of other taxes and is the City’s second largest revenue source behind property tax. For purposes of the quarterly review, an analysis of Other Taxes as a grouping, as well as individual analysis of Sales and Use Tax, TOT and Franchise Fees will be discussed.

Analysis – First quarter receipts are trending in line with those in the same period in the past fiscal years. A detailed analysis of sales tax, TOT and Franchise fees is following.

OTHER TAXES

Quarterly and Annual Revenues
5-Year History



	<u>FY16/17</u>	<u>FY17/18</u>	<u>FY18/19</u>	<u>FY19/20</u>	<u>FY20/21</u>
1st Quarter Actual Revenues	\$ 1,311,780	\$ 1,303,092	\$ 1,124,612	\$ 1,292,975	\$ 1,066,581
Fiscal Year Total Actual Revenues	\$ 5,896,997	\$ 6,025,040	\$ 6,313,313	\$ 5,715,217	
Fiscal Year Budgeted Revenues					\$ 4,170,445
1st Quarter Percent of Total	22.24%	21.63%	17.81%	22.62%	25.57%

Recommended Budget Revision **No Change**

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

Sales Tax

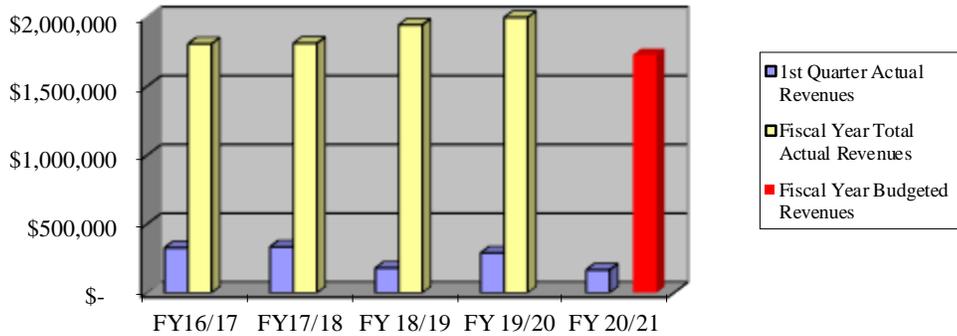
Sales tax generates approximately 16.8% of revenues, the third largest revenue source for the City’s General Fund in FY 2020-21. The City’s General Fund receives 1 cent for every 7.5 cents of sales tax paid per dollar on retail sales and taxable services transacted within Morro Bay. Previously, the State Board of Equalization retained 25% of the City’s 1-cent share, referred to as the “Triple Flip,” requiring the San Luis Obispo County Auditor to replace it with an equal amount of property tax revenue. Revenues are remitted from the State to the City monthly, and from the County to the City on a biannual basis. These revenues are placed in the General Fund for unrestricted uses. The “triple flip” period ended in FY 2015/16 and is no longer impacting sales tax receipts.

Analysis – Sales Tax has some promise to over-perform compared to budget. This optimism comes from the expert analysis conducted by HdL, a firm that has been engaged with the City to analyze our collections history, forecast our revenues and pursue revenues on the City’s behalf when there appears to be missing revenues that are justifiably belong to the City.

As a revenue category, first quarter receipts are trending slightly higher with this year’s reduced adopted budget. Based on recent update from the City’s sales tax consultant, HDL, local sales tax receipts from the gas and restaurant/bar sector have declined but are supplanted by the collection of tax from on-line sales. In spite of this optimistic projection, no budget adjustment is recommended at this time.

Sales Tax

**Quarterly and Annual Revenues
5-Year History**



	<u>FY16/17</u>	<u>FY17/18</u>	<u>FY18/19</u>	<u>FY19/20</u>	<u>FY20/21</u>
1st Quarter Actual Revenues	\$ 326,803	\$ 333,152	\$ 180,016	\$ 290,168	\$ 166,151
Fiscal Year Total Actual Revenues	\$ 1,807,642	\$ 1,811,884	\$ 1,945,359	\$ 2,186,074	
Fiscal Year Budgeted Revenues					\$ 1,728,822
1st Quarter Percent of Total	18.08%	18.39%	9.25%	13.27%	9.61%

Recommended Budget Revision **No Change**

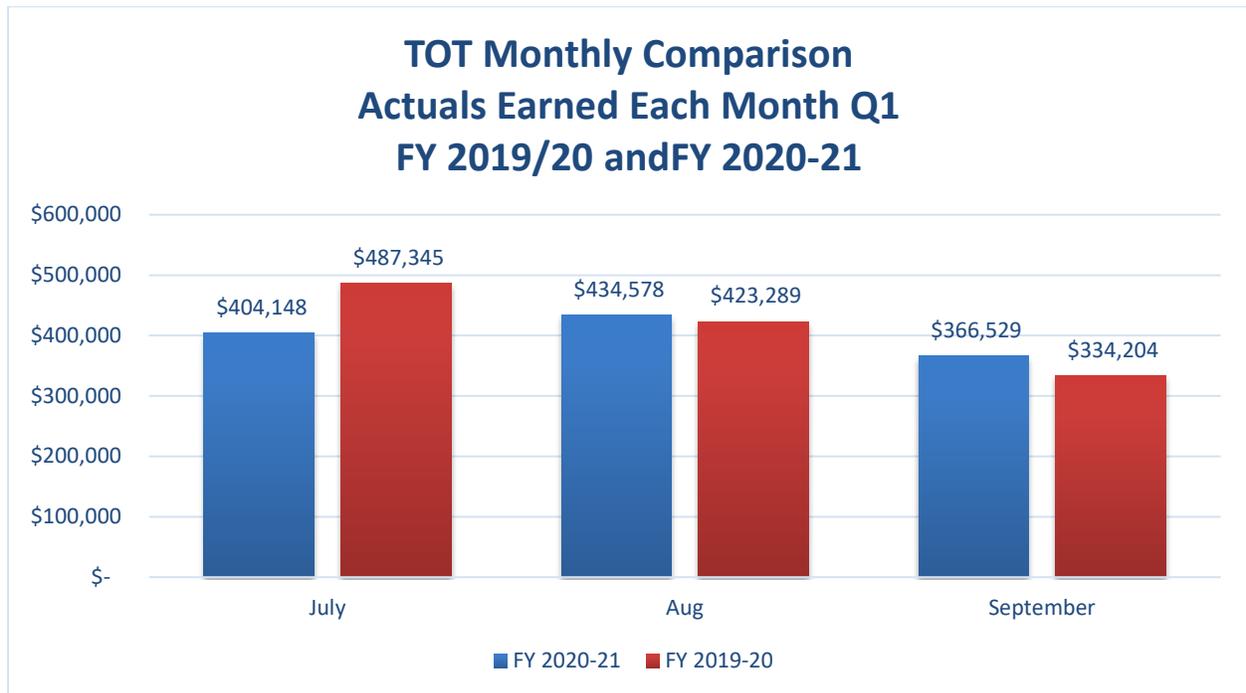
QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

TOT Tax

Transient Occupancy Tax (TOT) accounts for 18% of the City’s general fund revenues for FY 2020/21. As a highly economically sensitive revenue source, the City closely monitors this funding source for any indication that the tourism market is slowing down. During this dynamic time of COVID-19 this is difficult to predict and changes are experienced on an hour by hour basis. Nonetheless, Staff anticipated this second wave of impacts, so the adopted budget was reduced significantly from 2019/20 adopted budget.

The City levies a 10% transient occupancy tax (TOT) on all hotel, motel, vacation rentals and RV parks within the municipal limits of Morro Bay. This tax helps to fund City services provided to transitory visitors to Morro Bay. In addition, the City collects additional revenues for the Tourism Business Improvement District (TBID) in the amount of 3% on all hotels, motels, inns, etc., which funds the Tourism program within the City and a 1 percent tax on all hotels, motels, vacation rentals and RV parks which is the share for the County Tourism program.

Analysis – This year TOT receipts for the first quarter were 89.8 percent of last year’s receipts for the same period. This is a positive sign that TOT has rebounded from the first round of impacts of COVID-19. In the first quarter last year the City had received 37.1 percent of the TOT it eventually received. Through the first quarter this fiscal year the City has booked 44.2 percent. This following chart provides a side by side comparison of TOT for Q1 in the last two years. Note that in September 2020 TOT earned outpaced TOT earned in 2019. In the absence of the new “stay at home” order this would be cause for optimism.



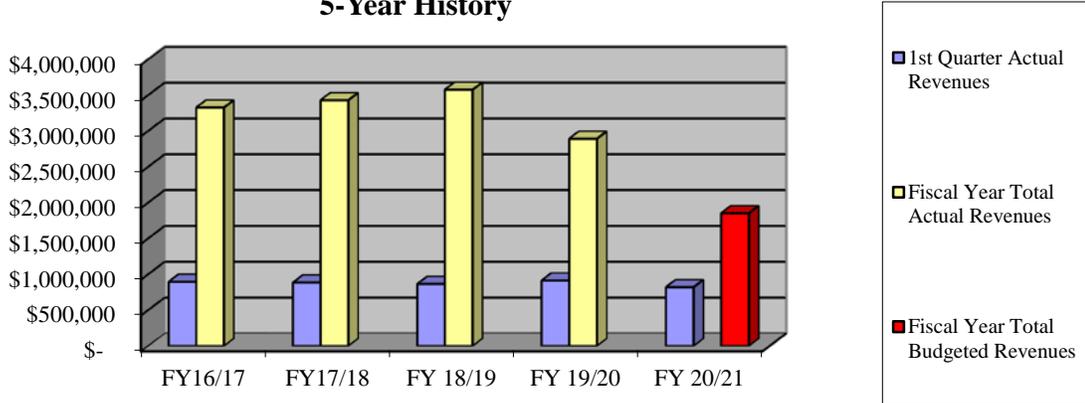
The next chart includes the actual amounts entered into the accounting system for the three months of the quarter. This amount accounts for cash received and posted to the accounts for each month it is received versus for the month during which the hotel collected the funds. In other words, hotels transmit the tax at the end of the month after it was earned, and this amount is posted to the accounting system. In other words, the accounting system shows entries

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

for funds that represent the hotel activity from the month before (posted in August for TOT collected in July). The difference is \$384,618, which means the City earned more in the first quarter of 2020/21 than will show up in the accounting system. In more tangible terms this means the hotels had more occupancy and the City had more visitors than might be discernible from looking at the amount accrued during the quarter.

Transient Occupancy Tax

**Quarterly and Annual Revenues
Actuals Accrued Each Month Q1
5-Year History**



	<u>FY16/17</u>	<u>FY17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>	<u>FY 20/21</u>
1st Quarter Actual Revenues	\$ 895,546	\$ 885,172	\$ 864,974	\$ 913,161	\$ 820,637
Fiscal Year Total Actual Revenues	\$ 3,327,073	\$ 3,429,186	\$ 3,576,121	\$ 2,892,130	
Fiscal Year Total Budgeted Revenues					\$ 1,852,479
1st Quarter Percent of Total	26.92%	25.81%	24.19%	31.57%	44.30%
Recommended Budget Revision					No Change

All of this is good news for the first quarter. However, the immense uncertainty is what will happen in the coming month with the looming “Stay at Home” order. A second wave of impacts of the COVID-19 pandemic was anticipated. As a result, budgeted TOT revenues were reduced by 36 percent year over year.

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

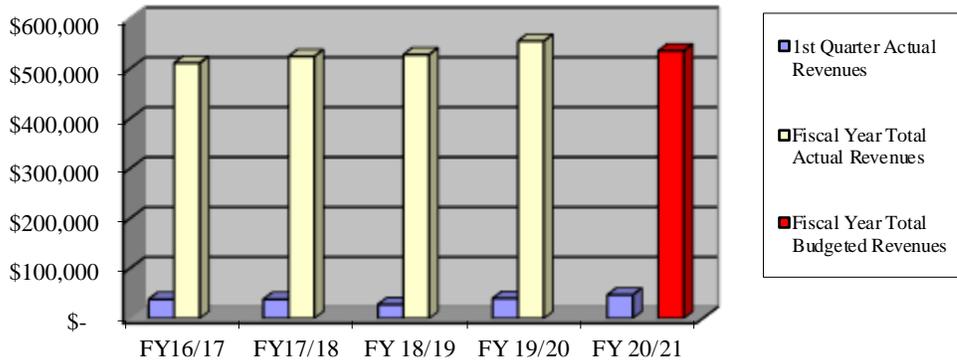
Franchise Fees

Franchise fees are collected by the City for the privilege of operating a utility service within Morro Bay, and as a fee in lieu of a business tax. Franchise fees are currently received for electricity, garbage, cable TV and natural gas. Franchise fees represent 5.2% of budgeted General Fund revenues in FY 2020/21.

Analysis – Historically, franchise payments are not remitted equally throughout the fiscal year; therefore, first quarter receipts are not necessarily predictive. Total franchise fee revenues to date are 8.7% of budgeted total receipts, generally consistent with the prior year’s first quarter results. No budget adjustment is recommended at this time.

Franchise Fees

**Quarterly and Annual Revenues
5-Year History**



	<u>FY16/17</u>	<u>FY17/18</u>	<u>FY18/19</u>	<u>FY19/20</u>	<u>FY20/21</u>
1st Quarter Actual Revenues	\$ 38,354	\$ 38,372	\$ 27,752	\$ 40,131	\$ 47,101
Fiscal Year Total Actual Revenues	\$ 511,696	\$ 524,997	\$ 528,560	\$ 555,644	
Fiscal Year Total Budgeted Revenues					\$ 536,137
1st Quarter Percent of Total	7.50%	7.31%	5.25%	7.22%	8.79%

Recommended Budget Revision

No Change

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

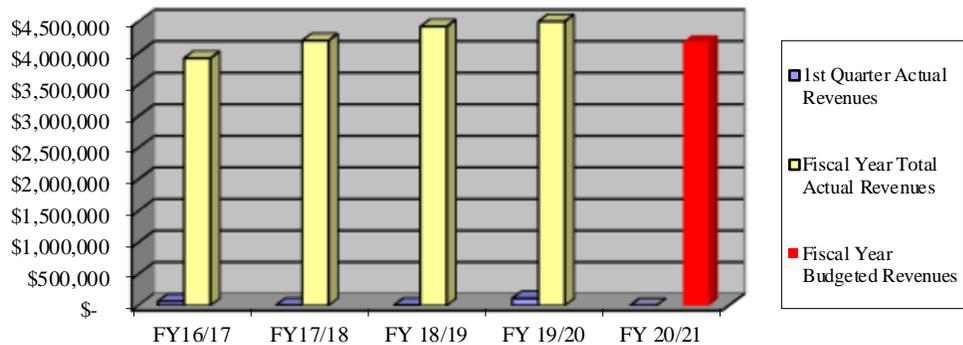
Property Tax

Property tax, including property tax in-lieu, is the largest revenue category for the City’s General Fund, accounting for 40.7% of budgeted General Fund revenues in FY 2020/21. Property tax is levied by the San Luis Obispo County Assessor’s Office at 1% of a property’s assessed value, of which the City receives approximately 13.7 cents per dollar paid on property located within the municipal limits of Morro Bay.

Analysis – Property tax distributions are largely received in the third and fourth quarters, however the chart below depicts the 1st quarter receipts for the past four years as compared to the current fiscal year. Property tax revenue for FY 2020/21 was budgeted slightly lower than the previous year’s actuals projecting slight decline in real estate transactions. However new estimate suggests this might be a conservative estimate and will over-perform compared to the adopted budget. However, it is too early to have dependable data, so no budget adjustment is recommended.

PROPERTY TAX

**Quarterly and Annual Revenues
5-Year History**



	FY16/17	FY17/18	FY 18/19	FY 19/20	FY 20/21
1st Quarter Actual Revenues	\$ 66,907	\$ 4,220	\$ 6,025	\$ 115,172	\$ (595)
Fiscal Year Total Actual Revenues	\$ 3,917,348	\$ 4,197,259	\$ 4,419,459	\$ 4,544,965	
Fiscal Year Budgeted Revenues					\$ 4,176,000
1st Quarter Percent of Total	1.71%	0.10%	0.14%	2.53%	-0.01%

Recommended Budget Revision

No Change

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

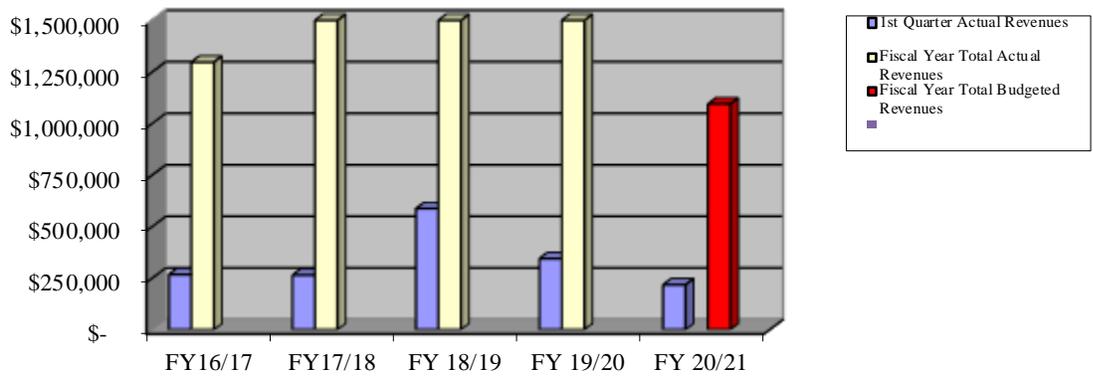
Charges for Services

City service revenues consist primarily of Plan Check fees, Building Inspection fees and Recreation sports and youth services fees. These fees are assessed based on recovery formulas, which reflect approximate costs of providing these services and, as a total category, account for 11% of the City’s General Fund revenues. Community Development and Recreation Services account for most of these fees.

Analysis – First quarter receipts are trending slightly down from prior years (exclude FY 2018/19 which included one-time receipts of cannabis application fees). The Recreation Division programs’ revenues are suffering losses due to COVID-19. Staff will continue to monitor this revenue source; however, no budget revisions are recommended at this time.

Charges for Services

**Quarterly and Annual Revenues
5-Year History**



	<u>FY16/17</u>	<u>FY17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>	<u>FY 20/21</u>
1st Quarter Actual Revenues	\$ 267,467	\$ 264,736	\$ 587,219	\$ 344,814	\$ 217,916
Fiscal Year Total Actual Revenues	\$ 1,297,352	\$ 1,727,579	\$ 1,695,853	\$1,523,506	
Fiscal Year Total Budgeted Revenues					\$1,094,799
1st Quarter Percent of Total	20.62%	15.32%	34.63%	22.63%	19.90%

Recommended Budget Revision	No Change
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QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

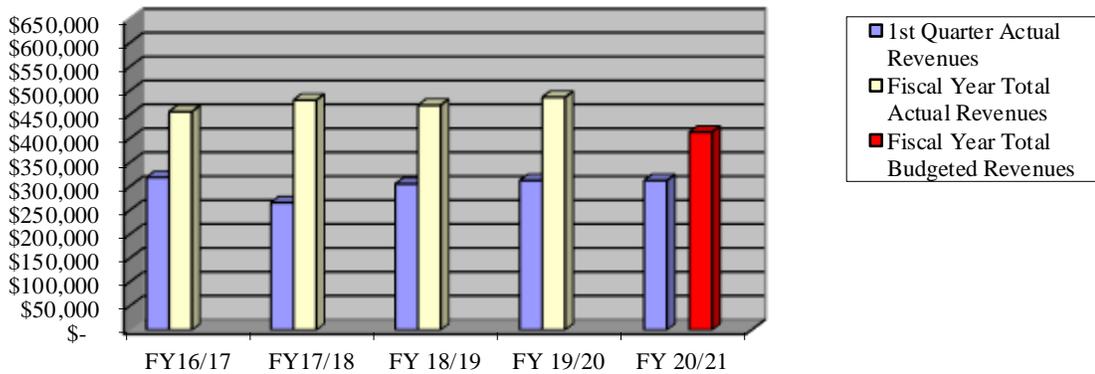
Licenses and Permits

Licenses and permits consist mainly of business and transient vendor taxes. Conditional use permits, and coastal permits are the other primary revenues sources in this category. The Licenses and Permits category represent approximately 4% of total City General Fund revenues for FY 2020/21. As business and transient vendor taxes are the largest subset of this revenue category, an independent analysis of that revenue source follows.

Analysis – First quarter licenses and permit revenue as an overall category is trending consistent with the first quarter results from the previous fiscal year. Business tax is the largest subset of this category. Staff will continue to monitor this revenue source to assess the need for mid-year budget adjustments; however, no budget revisions are recommended at this time.

Licenses & Permits

Quarterly and Annual Revenues
5-Year History



	<u>FY16/17</u>	<u>FY17/18</u>	<u>FY18/19</u>	<u>FY19/20</u>	<u>FY20/21</u>
1st Quarter Actual Revenues	\$ 318,860	\$ 266,122	\$ 305,079	\$ 312,413	\$ 312,413
Fiscal Year Total Actual Revenues	\$ 456,319	\$ 480,440	\$ 469,683	\$ 486,385	
Fiscal Year Total Budgeted Revenues					\$ 413,500
1st Quarter Percent of Total	69.88%	55.39%	64.95%	64.23%	75.55%

Recommended Budget Revision

No Change

Business Tax

The City requires all business located within Morro Bay, or those that operate within Morro Bay, to obtain a business tax certificate. Business taxes apply to businesses operating as a general or sub-contractor, as a home occupation, from a commercial or office space rental, or as a business conducting temporary activities within the City limits. The amount of business tax paid by each business is based on the type of business being operated and varies depending on that type. Businesses, with gross receipts under \$4,000 per year for all work conducted within Morro Bay, are

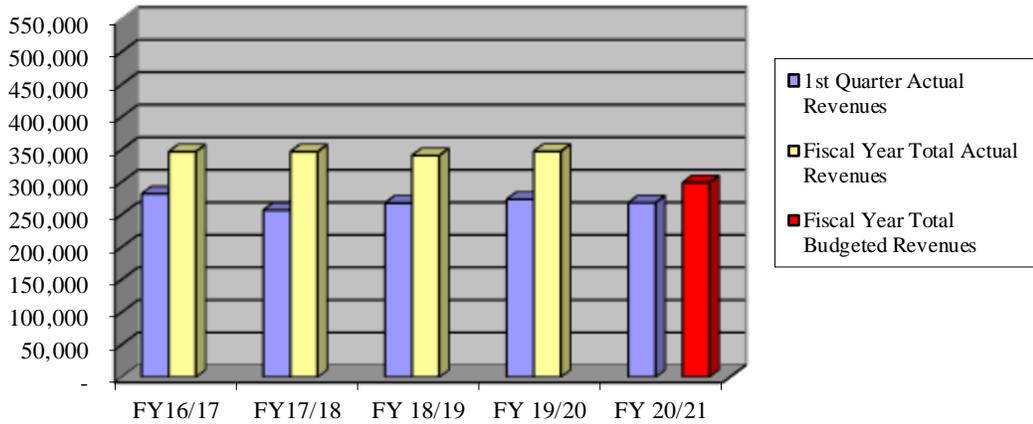
QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

exempt from applying for and receiving a business tax certificate. These activities account for approximately 2.3% of annual General Fund operating revenues. Annual renewal payments are due on the anniversary of the license issuance.

Analysis – When viewed as a percentage of budget, current year first quarter revenues are trending slightly higher than previous years. An observation from staff is that the City has seen fewer business tax certificates issued to “brick and mortar establishments” from the onset of COVID-19. Because there is so much uncertainty moving forward no budget adjustment is recommended at this time.

Business Tax

**Quarterly and Annual Revenues
5-Year History**



	<u>FY16/17</u>	<u>FY17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>	<u>FY 20/21</u>
1st Quarter Actual Revenues	281,942	256,600	267,608	273,491	268,088
Fiscal Year Total Actual Revenues	\$ 346,704	\$ 346,700	\$ 340,629	\$ 347,040	
Fiscal Year Total Budgeted Revenues					\$ 298,960
1st Quarter Percent of Total	81.32%	74.01%	78.56%	78.81%	89.67%

Recommended Budget Revision **No Change**

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

GENERAL FUND – KEY EXPENDITURE ANALYSIS

The following discussion provides a status of significant General Fund expenditures as of the first quarter ending September 30, 2020. Staff monitors each revenue source closely, and may recommend certain expenditure adjustments based on actuals or state budget actions.

SALARIES AND BENEFITS

Salaries and benefits include full-time employee salaries, elected official's stipends, temporary/relief employees, overtime, other benefits, pensions and health care. Under typical circumstances, it would be expected that salaries and benefits would be at approximately 25% of total budget at the end of the first quarter.

Analysis – First quarter results are trending slightly higher than would be expected for this one quarter of the FY. For all funds it is about 27.6% this is due to the total payment (\$1,212,698) of the City's unfunded liability payment made on July 1, 2020. This is paid in July in order to receive a discount. This year the City saved fund approximately \$60,000. When the one-time payment is removed expenditures drop to 21%, salaries and benefits drop to 24% of budget which is consistent with prior years. Another reason why the General Fund looks like it is trending higher than expected for this time in the year is that the City supported many out of County fires this year. The chart below is valuable data to understand the magnitude of the costs and the potential reimbursements that will come back to the City. Expenditures of \$225,902 are currently embedded in the overall expenditures. When reimbursement comes to the City it will be used to reimburse the General Fund.

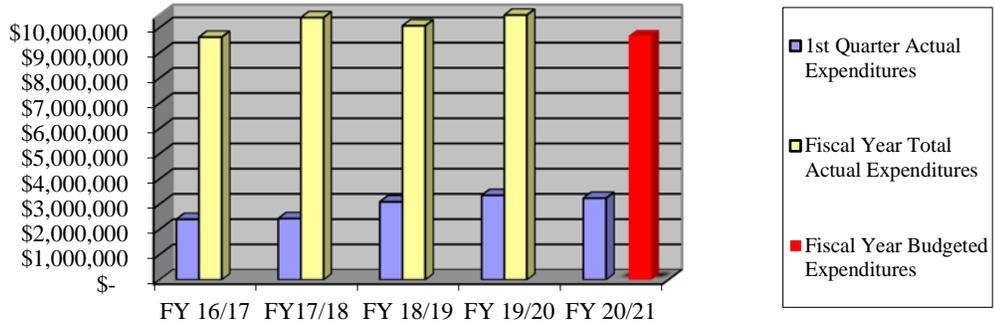
Q1 2020 California Fire Assistance Agreement Reimbursement

Date	Fire Name	Hours	Response	Personel	Vechicle	Admin Fee	Total Pay Out Includes Admin & Vechicle Fees
15-Jun	Avila Incident	33.50	Individual	2,969.78	615.00	681.89	4,266.67
16-Jun	Avila Incident	200.00	Crew	8,671.50		1,991.06	10,662.56
28-Jul	July Complex	126.00	Individual	6,797.70	1,025.00	1,560.82	9,383.52
1-Aug	Pond Fire	31.25	Individual	2,770.31	1,435.00	636.00	4,841.40
1-Aug	Pond Fire	160.00	Crew	6,937.20		1,592.85	8,530.05
16-Aug	SLU August	176.00	Crew	7,630.92		1,752.14	9,383.06
18-Aug	SLU August	1,004.00	Crew	43,530.93		9,995.14	53,526.07
21-Aug	SCU Lightning	157.00	Individual	13,918.05	1,845.00	3,195.72	18,958.77
22-Aug	CZU August	1,060.00	Crew	36,262.60	30,469.49	8,304.29	75,036.38
31-Aug	North Complex East	2,168.00	Crew	76,733.00		17,817.00	94,550.00
10-Sep	North Complex West	168.00	Individual	19,680.30	2,050.00	4,989.28	26,719.58
30-Sep	2020-2021 END 1st Quarter	5,283.75		225,902.29	37,439.49	52,516.19	315,858.06

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

Salary and Benefits

Quarterly and Annual Expenditures
5-Year History



	<u>FY 16/17</u>	<u>FY17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>	<u>FY 20/21</u>
1st Quarter Actual Expenditures	\$ 2,401,146	\$ 2,430,774	\$ 3,093,334	\$ 3,350,822	\$3,237,008
Fiscal Year Total Actual Expenditures	\$ 9,625,716	\$ 10,400,147	\$ 10,075,471	\$ 12,149,421	
Fiscal Year Budgeted Expenditures					\$ 9,678,011
1st Quarter Percent of Total	24.95%	23.37%	30.70%	27.58%	33.45%

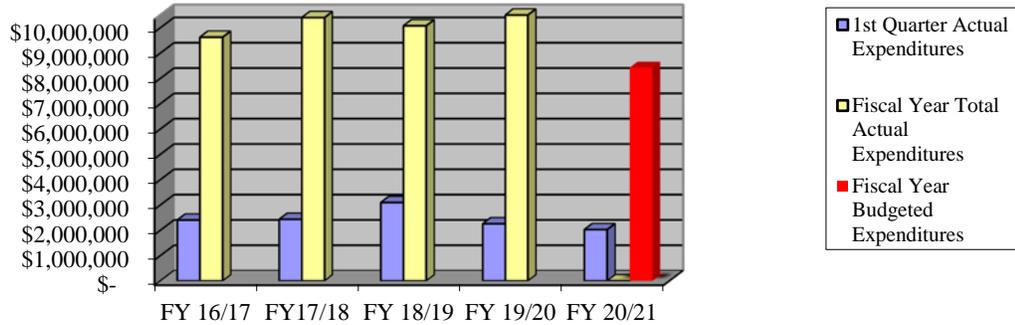
Recommended Budget Revision*	\$ 52,400
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*Fill Police Officer vacancy - using Measure Q

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

Salary and Benefits (Less UAL)

Quarterly and Annual Expenditures
5-Year History



	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>	<u>FY 20/21</u>
1st Quarter Actual Expenditures	\$ 2,401,146	\$ 2,430,774	\$ 3,093,334	\$ 2,254,590	\$ 2,024,310
Fiscal Year Total Actual Expenditures	\$ 9,625,716	\$ 10,400,147	\$ 10,075,471	\$ 10,566,688	\$ -
Fiscal Year Budgeted Expenditures					\$ 8,426,390
1st Quarter Percent of Total	24.95%	23.37%	30.70%	21.34%	24.02%

Recommended Budget Revision

No Change

SUPPLIES, MATERIALS AND SERVICES

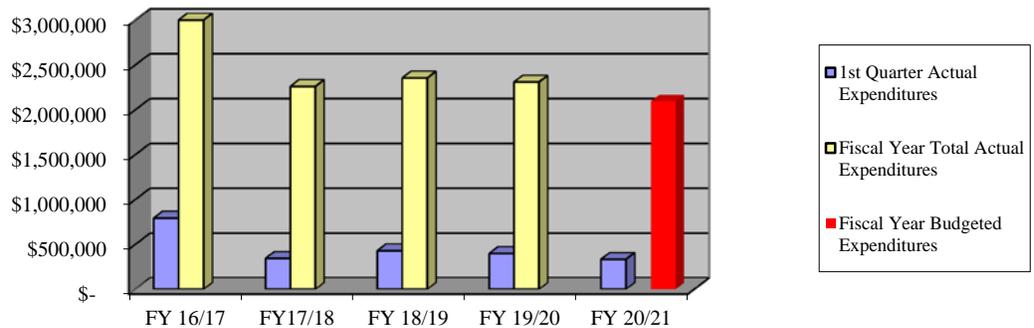
Operating expenditures consist of all General Fund costs to provide services, including supplies and materials, consulting services, contract services, and debt service. For analysis materials, utilities, insurance, payment to other agencies and transfers are categorized individually as they are often expenditure categories that staff have limited control or ability to reduce expenditures. The category of supplies, materials and services, the Cities most controllable expenditure category, should trend around the 25% level for the first quarter. Consulting and contractual services, a component of this category, may have various contract start dates and payments may not be equally spread throughout the fiscal year so variation from the 25% amount may be explained due to these consulting and contractual services.

Analysis – First quarter results are trending consistent with those in the same period in prior years or slightly lower, at approximately 15.9% of budgeted totals (exclusive of transfers). This is a sign that staff is watching these expenses and controlling as best as possible.

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

Supplies, Materials and Services

**Quarterly and Annual Expenditures
5-Year History**



	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>	<u>FY 20/21</u>
1st Quarter Actual Expenditures	\$ 792,839	\$ 343,802	\$ 429,439	\$ 398,070	\$ 333,541
Fiscal Year Total Actual Expenditures	\$ 3,022,358	\$ 2,260,582	\$ 2,354,564	\$ 2,309,101	
Fiscal Year Budgeted Expenditures					\$ 2,095,236
1st Quarter Percent of Total	26.23%	15.21%	18.24%	17.24%	15.92%

Recommended Budget Revision* **No Change**

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

FINANCIAL SUMMARIES, PROJECTIONS AND RECOMMENDATIONS

General Fund

The following table is the *Schedule of General Fund Operating Revenues vs. Operating Expenditures* for the first quarter of FY 2020/21, and is sorted by revenue and expenditure category, which includes comparison information from the prior year. In the last column are projections of final balances for the current fiscal year, based upon the early trends observed through the first quarter. Another caution here, this is very tricky considering the dynamic situation we are facing.

**City of Morro Bay
Schedule of General Fund
Operating Revenues vs. Operating Expenditures
By Category
For the period ended September 30, 2020**

	FY19/20 Estimated YE Actuals	FY19/20 1st Qtr Actuals	FY19/20 % YTD	FY20/21 Adopted Budget	FY20/21 1st Qtr Actuals	FY20/21 % YTD	FY20/21 Finance Projection
Revenues							
Property Tax	\$ 4,544,965	\$ 115,172	3%	\$ 4,176,000	\$ (595)	0%	\$ 4,176,000
Other Taxes	\$ 81,369	\$ 49,515	61%	\$ 53,007	\$ 32,692	62%	\$ 53,007
Transient Occupancy Tax	\$ 2,892,130	\$ 913,161	32%	\$ 1,852,479	\$ 820,637	44%	\$ 1,852,479
Sales Tax	\$ 2,186,074	\$ 290,168	13%	\$ 1,728,822	\$ 166,151	10%	\$ 1,728,822
Franchise Fees	\$ 555,644	\$ 40,131	7%	\$ 536,137	\$ 47,101	9%	\$ 536,137
Licenses & Permits	\$ 139,345	\$ 38,922	28%	\$ 114,540	\$ 44,140	39%	\$ 114,540
Business Tax	\$ 347,040	\$ 273,491	79%	\$ 298,960	\$ 268,088	90%	\$ 298,960
Charges for Services	\$ 1,523,506	\$ 344,814	23%	\$ 1,082,799	\$ 217,916	20%	\$ 1,082,799
Fines & Forfeitures	\$ 16,561	\$ 4,941	30%	\$ 17,000	\$ 4,093	24%	\$ 17,000
Intergovernmental	\$ 41,598	\$ 6,700	16%	\$ 24,074	\$ -	0%	\$ 24,074
Other Sources	\$ 34,771	\$ 17,682	51%	\$ 18,442	\$ 80,990	439%	\$ 18,442
Use of Money & Property	\$ 298,809	\$ 108,940	36%	\$ 342,302	\$ 120,265	35%	\$ 342,302
Fund Transfers	\$ 2,729,784	\$ 48,548	2%	\$ 2,581,062	\$ 313,195	12%	\$ 2,581,062
Total Revenues	15,391,596	2,252,185	15%	12,825,624	2,114,673	16%	12,825,624
Expenditures							
Salaries	5,248,126	1,183,746	23%	5,014,534	1,061,687	21%	5,014,534
Overtime	514,516	126,067	25%	212,896	228,515	107%	212,896
Part-time	685,931	255,197	37%	521,022	126,563	24%	521,022
Other Salaries	533,287	66,082	12%	258,184	64,109	25%	258,184
Labor Costs Applied	46,295	5,452	12%	15,735	1,156	7%	15,735
Benefits	2,852,916	618,045	22%	2,404,018	548,336	23%	2,404,018
PERS UAL	1,582,733	1,096,232	69%	1,251,622	1,212,698	97%	1,251,622
Supplies, Materials and Services	2,309,101	398,070	17%	2,133,947	333,541	16%	2,133,947
Utilities	513,649	88,851	17%	418,769	91,805	22%	418,769
Insurance	563,155	41,838	7%	205,086	141,496	69%	205,086
Debt	35,277	-	0%	35,191	(88)	0%	35,191
Payment to other Agencies	25,640	5,325	21%	-	5,275	-100%	-
Total Expenditures	\$ 14,910,626	\$ 3,884,905	26%	\$ 12,471,004	\$ 3,815,093	31%	\$ 12,471,004
Transfers In/Out	480,970	120,243	25%	354,620	88,655	25%	354,620
Total Operating Expenditures	\$ 15,391,596	\$ 4,005,148	26%	\$ 12,825,624	\$ 3,903,748	30%	\$ 12,825,624
Net Surplus or (Use) of Reserves	\$ (0)	\$ (1,752,963)		\$ -	\$ (1,789,075)		\$ -

The following table is the *Schedule of General Fund Operating Revenues vs. Operating Expenditures* for the first quarter of FY 2020/21 displayed by revenue type and expenditures per department. The chart includes comparison information from the prior fiscal year, and serves to monitor Department expenditures related to both budgeted amounts and prior year actuals. In the last column are projections of final balances for the current fiscal year based upon the early trends observed through the first quarter. The same caution is advisable in the case of this chart.

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

**City of Morro Bay
Schedule of General Fund
Operating Revenues vs. Operating Expenditures
By Department
For the period ended September 30, 2020**

	FY19/20 Unaudited YE Actuals	FY19/20 1st Qtr Actuals	FY19/20 % YTD	FY20/21 Adopted Budget	FY20/21 1st Qtr Actuals	FY20/21 % YTD	FY20/21 Finance Projection
Revenues							
Property Tax	\$ 4,544,965	\$ 115,172	3%	\$ 4,176,000	\$ (595)	0%	\$ 4,176,000
Other Taxes	\$ 81,369	\$ 49,515	61%	\$ 53,007	\$ 32,692	62%	\$ 53,007
Transient Occupancy Tax	\$ 2,892,130	\$ 913,161	32%	\$ 1,852,479	\$ 820,637	44%	\$ 1,852,479
Sales Tax	\$ 2,186,074	\$ 290,168	13%	\$ 1,728,822	\$ 166,151	10%	\$ 1,728,822
Franchise Fees	\$ 555,644	\$ 40,131	7%	\$ 536,137	\$ 47,101	9%	\$ 536,137
Licenses & Permits	\$ 139,345	\$ 38,922	28%	\$ 114,540	\$ 44,140	39%	\$ 114,540
Business Tax	\$ 347,040	\$ 273,491	79%	\$ 298,960	\$ 268,088	90%	\$ 298,960
Charges for Services	\$ 1,523,506	\$ 344,814	23%	\$ 1,082,799	\$ 217,916	20%	\$ 1,082,799
Fines & Forfeitures	\$ 16,561	\$ 4,941	30%	\$ 17,000	\$ 4,093	24%	\$ 17,000
Intergovernmental	\$ 41,598	\$ 6,700	16%	\$ 24,074	\$ -	0%	\$ 24,074
Other Sources	\$ 34,771	\$ 17,682	51%	\$ 18,442	\$ 80,990	439%	\$ 18,442
Use of Money & Property	\$ 298,809	\$ 108,940	36%	\$ 342,302	\$ 120,265	35%	\$ 342,302
Fund Transfers	\$ 2,729,784	\$ 48,548	2%	\$ 2,581,062	\$ 313,195	12%	\$ 2,581,062
Total Revenues	15,391,596	2,252,185	15%	12,825,624	2,114,673	16%	12,825,624
Expenditures							
City Council	91,185	31,782	35%	84,098	20,653	25%	\$ 84,098
City Manager	349,821	110,048	31%	338,591	112,895	33%	\$ 338,591
City Attorney	444,812	28,490	6%	445,539	52,048	12%	\$ 445,539
Contract Services	631,425	55,921	9%	518,822	117,262	23%	\$ 518,822
City Clerk/HR/Elections	368,955	113,156	31%	421,270	122,067	29%	\$ 421,270
Deputy City Manager	-	-	0%	-	-	0%	\$ -
Accounting & Treasury/Rental Property	636,395	204,909	32%	638,304	185,411	29%	\$ 638,304
Police Department	3,600,286	994,656	28%	3,256,818	1,039,884	32%	\$ 3,256,818
Support Services	271,233	85,116	31%	274,348	84,525	31%	\$ 274,348
Fire Department	2,935,722	813,276	28%	2,567,171	1,003,849	39%	\$ 2,567,171
Emergency Operations Center	74,595	851	1%	12,422	20,026	161%	\$ 12,422
Community Development	1,024,250	284,837	28%	914,511	276,932	30%	\$ 914,511
Public Works	571,192	187,714	33%	512,298	166,416	32%	\$ 512,298
Consolidated Maintenance	1,059,731	271,331	26%	814,054	237,807	29%	\$ 814,054
Vehicle, Parks, Facilities	136,105	40,076	29%	119,212	37,965	32%	\$ 119,212
Streets, Street Trees, Storm Drains/Creeks	705,794	204,811	29%	683,021	140,430	21%	\$ 683,021
Street lighting	88,048	8,965	10%	79,487	6,685	8%	\$ 79,487
Curbside Recycling	26,988	-	0%	-	-	0%	\$ -
Recreation Services - Administration	346,939	98,161	28%	225,038	63,442	28%	\$ 225,038
Recreation Services - Sports	390,640	174,845	45%	169,559	48,443	29%	\$ 169,559
Recreation Services - Youth Services	276,559	118,766	43%	199,618	65,718	33%	\$ 199,618
Recreation Services - Teen Programs	26,363	8,663	33%	46,222	3,248	7%	\$ 46,222
Recreation Services - Community Pool	99,186	46,244	47%	81,321	13,336	16%	\$ 81,321
Electricity	68,785	2,287	3%	69,280	2,106	3%	\$ 69,280
Undistributed/Lump Sum & PERS Sidefund	685,617	-	0%	-	(6,055)		\$ -
Total Expenditures	\$ 14,910,626	\$ 3,884,905	26%	\$ 12,471,004	\$ 3,815,093	31%	\$ 12,471,004
Transfers In/Out	480,970	\$ 120,243	25%	\$ 354,620	\$ 88,655	25%	354,620
Total Operating Expenditures	\$ 15,391,596	\$ 4,005,148	26%	\$ 12,825,624	\$ 3,903,748	30%	\$ 12,825,624
Net Surplus or (Use) of Reserves	\$ (0)	\$ (1,752,963)		\$ -	\$ (1,789,075)		\$ -

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

Other Funds

Other Funds can consist of internal service type funds that are used to account for various types of insurance coverage for the City, and to manage the City's information technology needs. In addition, the City has other funds that have been set-up to accumulate monies for various projects or capital and equipment needs, such as the facility maintenance fund. The report covers the Morro Bay Tourism Business Improvement District, the Measure Q fund which are discussed in more detail below:

Morro Bay Tourism Business Improvement District

On April 27, 2009, Ordinance No. 546 was enacted, establishing Chapter 3.60 of the Morro Bay Municipal Code, which is entitled Tourism Business Improvement District (MTBID) Law. Lodging establishments self-assess an additional transient occupancy tax on rooms rented, which is paid to the City, then returned to the Tourism Bureau for promoting tourism in Morro Bay. For the first year, the MTBID assessment rate was 3%; ensuing years were set at 2%, per the Ordinance.

On September 13, 2010, Staff introduced Ordinance No. 562, which increased the MTBID assessment rate back to 3%. The Ordinance was passed on September 27th and became effective October 28, 2010.

Annually in May, the MTBID's annual report and budget are presented to the City Council, and a public hearing is set, which allows affected businesses the opportunity to protest the MBBID assessment. A Resolution is brought forward to confirm the results of the public hearing, renew the activities of the MTBID for the upcoming fiscal year, and approve the levy and collection of the 3% assessments from the hoteliers.

In 2013, the MTBID formed a 501c(6) corporation, Morro Bay Tourism Bureau, to carry out the marketing activities of the MTBID, as well as manage the Visitors Center.

As part of the Management Partners' 2015 Organizational Study, the recommendation to *develop a proposal for integrating Tourism Bureau activities with City operations* was explored by staff. City staff held a public workshop on September 22, 2015, to discuss this with stakeholders, presented the concept to the MTBID board at a special meeting on December 15, 2015, and ultimately presented the results of the City's outreach and recommendations to the City Council on January 12, 2016, with two management scenarios. The Council adopted Resolution No. 03-16, discontinuing the City's contract with the Morro Bay Tourism Bureau, and merging operations and marketing (via Mental Marketing) efforts into the City, beginning June 2016. Civitas is currently evaluating the transition of the MTBID to a 5-year term with a non-profit board of directors. Existing budget authority is available in the MTBID budget to move this effort forward.

For the first quarter of FY 2020/21 revenues and expenditures are trending well with no budget adjustments recommended at this time.

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

TBID					
	<u>FY16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>	<u>FY 20/21</u>
1st Quarter Actual Revenues	\$ 309,571	\$ 345,301	\$ 236,851	\$ 224,712	\$ 224,041
Fiscal Year Total Actual Revenues	\$ 935,834	\$ 935,691	\$ 1,082,464	\$ 797,782	
Fiscal Year Budgeted Revenues					\$ 550,000
1st Quarter Percent of Total	33.08%	36.90%	21.88%	28.17%	40.73%
1st Quarter Actual Expenditures	\$ 206,741	\$ 292,124	\$ 262,070	\$ 262,245	\$ 39,473
Fiscal Year Total Actual Expenditures	\$ 917,560	\$ 917,930	\$ 1,342,177	\$ 797,782	
Fiscal Year Budgeted Expenditures					\$ 384,607
1st Quarter Percent of Total	22.53%	31.82%	19.53%	32.87%	10.26%
Recommended Budget Revision Revenues					No Change
Recommended Budget Revision Expenditures					No Change
<i>*Revenues include transfers in and Assessment collections</i>					

Measure Q

With the November 7, 2006 election, the citizens of Morro Bay voted in a ½ cent district sales tax, commonly known as “Measure Q.” This is a general tax and has no sunset date. The ballot measure stated: *The Morro Bay Vital Public Services Restoration and Protection Measure. To preserve Morro Bay’s safety and character by funding essential services including upgrading firefighter/paramedic equipment, fire stations, police, street and pothole repairs, improving storm drains to protect the bay from pollution and other general city services, shall an ordinance be adopted increasing the City sales tax by one-half cent, subject to independent annual financial audits, and establishing an independent citizens’ advisory committee to review annual expenditures?”*

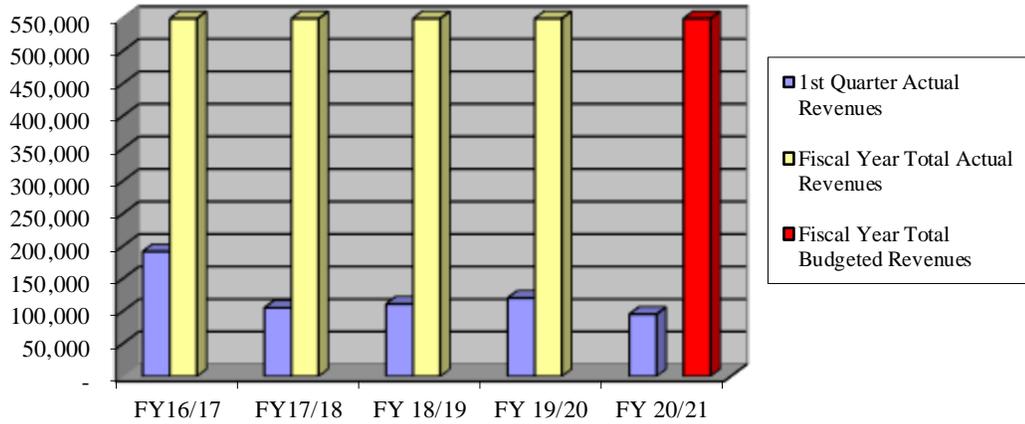
Ordinance 519 was enacted on August 14, 2006, to establish Chapter 3.22, City of Morro Bay Transactions and Use Tax. The City Council divides the annual revenue estimate between the departments, based on the language in the Measure, campaign polls, and departmental requests.

Measure Q revenues are trending consistent with other sales tax being collected. While the City’s sales tax experts say there is a possibility of over-achieving the revenue budget staff is not recommending any changes at this time.

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

Measure Q

**Quarterly and Annual Revenues
5-Year History**



	<u>FY16/17</u>	<u>FY17/18</u>	<u>FY18/19</u>	<u>FY19/20</u>	<u>FY20/21</u>
1st Quarter Actual Revenues	191,948	105,412	111,338	120,402	95,587
Fiscal Year Total Actual Revenues	\$ 1,118,270	\$ 1,062,895	\$ 1,226,552	\$ 993,647	
Fiscal Year Total Budgeted Revenues					\$ 845,000
1st Quarter Percent of Total	17.16%	9.92%	9.08%	12.12%	11.31%

Recommended Budget Revision

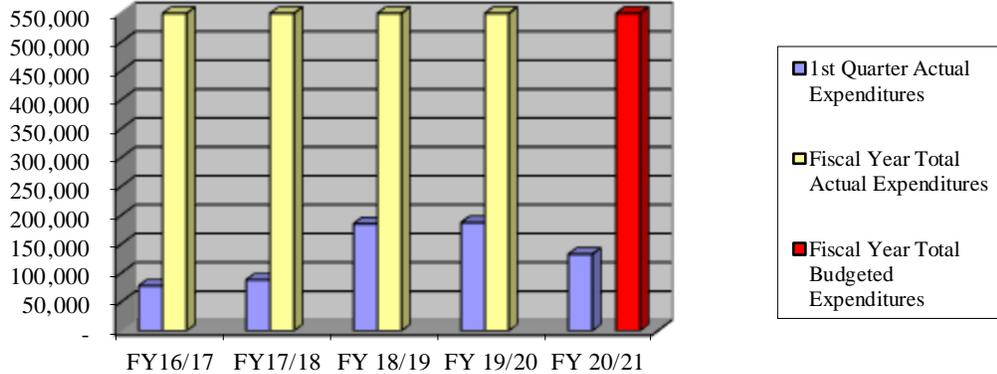
No Change

Measure Q Expenditures are generally trending well and are consistent with prior year actuals. Work on the City's pavement management plan had not begun as of September 30, 2020 and therefore the expenditures provided do not reflect a transfer of Measure Q funds to the pavement management plan. There are no recommended budget adjustments at this time. However, staff is recommending that funds be reallocated from the pavement management plan project to funding the vacant police officer position.

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

Measure Q

**Quarterly and Annual Expenditures
5-Year History**



	<u>FY16/17</u>	<u>FY17/18</u>	<u>FY18/19</u>	<u>FY19/20</u>	<u>FY20/21</u>
1st Quarter Actual Expenditures	77,934	88,167	185,403	187,571	132,899
Fiscal Year Total Actual Expenditures	\$ 1,544,827	\$ 952,398	\$ 1,067,640	\$ 691,351	
Fiscal Year Total Budgeted Expenditures					\$ 955,279
	0	5.04%	9.26%	17.37%	27.13%

Recommended Budget Revision

No Change*

* Staff is recommending reallocation to fund vacant police officer position

Enterprise Funds

The Enterprise Funds are Proprietary Funds used to report the same functions presented as business-type activities. The following funds are included in this category: Harbor Funds, Water Funds and Sewer Funds. Each of these enterprise funds have an operating fund, capital improvement fund and an accumulation fund that hold operating savings for future projects. The following gives an update on important changes or activities in these funds.

Harbor Funds

The Harbor Enterprise Fund accounts for revenues received from harbor leases, rentals, moorings, and other sources, which are expended for maintenance, operation, patrolling, and improvements of the harbor. The Harbor Department has implemented a pilot RV parking program this year. It has proven to be successful with many visitors coming to Morro Bay to safely enjoy all that our City has to offer. Regarding the Pilot RV program, no revenues or expenditure adjustments are recommended at this time and staff will return to an upcoming Council meeting to review the program.

Regarding the Tidelands Trust leaseholders with deferred rents and/or the need to defer rents because of the COVID-19 pandemic's continued significant economic impacts, staff recommend the City Council authorize the continued deferment of rents at the option of the leaseholders without penalties or late fees, with the understanding any

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

deferred rents will be carried on the books until their ultimate disposition is determined by the City. Staff continue to work with the leaseholders' representative group on potential mutually agreeable options for the deferred rents, which options will be brought back to the City Council at a later date, possibly with the mid-year budget review early next year.

During budgeting earlier this year as the COVID-19 pandemic was taking shape, all significant Harbor Department capital projects were put on hold until the pandemic's economic effects took shape and their effects on the Harbor Operating Fund were better known. At the FY 19/20 Budget year-end, a transfer of approximately \$120,000 from the Harbor Accumulation Fund to the Harbor Operating Fund was necessary to balance the Operating Fund. The books are now closed on the FY 19/20 Budget, so any deferred rent revenues received from FY 19/20 will be booked into this fiscal year.

Because staff anticipate receiving some amount of the FY 19/20 deferred rents this year as discussed in this report, and because staff were recently advised that a \$200,000 Central Coast Joint Cable Fisheries Liaison Committee ("Cable Committee") grant was favorably received by the Cable Committee to put toward Harbor capital projects related to commercial fishing needs, staff believe it is prudent to consider reviving the Beach Street Slips Replacement project and its Accumulation funding, and include a significant portion of the Castle Winds Community Benefit Fund amount to complete this project over the next ~6-8 months. Staff will bring back a Mid-Year Budget amendment that includes a more detailed project cost estimate, and the status of the various funding sources for Council consideration of restarting this Harbor capital project.

The following is a description of the adjustments being requested at this time.

- A. Transfer \$50,000 from the Harbor Accumulation Fund to the Harbor Operating Fund for necessary improvements to the old Morro Bay Aquarium building at Lease Site 69-70/69W-70W, consisting of:
 - Exploratory demolition work to determine the extent of the first floor ceiling support column footings in order to determine the footings' suitability for necessary new support columns to replace the substandard existing support columns.
 - Engineer's analysis of those existing footings for suitability.
 - Construction of new columns on the existing footings should the footings prove suitable.
 - Construction of new footings and new columns should the existing footings prove inadequate.
 - Replacement of the existing sewer lateral from the sewer main to the building due to significant offsets in the lateral requiring repair, and the first ~15 feet of the lateral's depth being inadequate to adequately service the building. It will be more cost-effective and less disruptive to the tenants in the long run to replace the lateral now while Three Stacks is doing their work, as opposed to patching the offsets now and replacing the lateral later.
 - The Harbor Accumulation Fund's current balance is more than \$375,000. Staff anticipate there will be adequate funding for the Aquarium building project and the Beach Street Slips project provided the Beach Street Slips project is additionally funded with the sources described in this report.
- B. Decrease Harbor Lease revenues by \$34,000 for leaseholder rent relief due to the COVID-19 pandemic:
 - Staff are recommending the waiving of this fiscal year's lease CPI rent adjustments as a COVID-19 pandemic rent concession to our leaseholders.
 - CPI adjustments vary from site to site, but in sum total amount to approximately \$34,000 over 30 sites.
 - Would be made-up in part by the current ~\$24,000 budgeted total revenues exceeding total expenses in the Harbor Operating Fund. Proposing to make-up the remaining \$10,000 by drawing

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

from the accumulation in the Triangle Lot Fund- Boat Storage Yard, which currently stands at \$15,384.

Harbor Operating Fund - 331

	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>	<u>FY 20/21</u>
1st Quarter Actual Revenues	\$ 460,208	\$ 520,919	\$ 392,012	\$ 413,637
Fiscal Year Total Actual Revenues	\$ 2,129,177	\$ 2,095,846	2,029,138	
Fiscal Year Total Budgeted Revenues				\$ 1,935,160
1st Quarter Percent of Total	21.61%	24.85%	19.32%	21.37%
1st Quarter Actual Expenditures*	\$ 462,768	\$ 643,355	\$ 540,528	\$ 610,283
Fiscal Year Total Actual Expenditures	\$ 1,916,165	\$ 1,959,475	\$ 2,063,186	
Fiscal Year Total Budgeted Expenditures				\$ 1,851,093
1st Quarter Percent of Total	24.15%	32.83%	26.20%	32.97%
Recommended Budget Revision Revenues				\$ (34,000)
Recommended Budget Revision Expenditures*				\$ 50,000
* Appropriate \$10,000 from Triangle Lot Fund - Boat Yard Storage				

Water and Sewer Funds

The Water Enterprise Fund accounts for revenues received primarily from water service charges, which are expended for maintenance, operations, and capital improvements to the water system while the sewer enterprise fund accounts for revenues received primarily from sewer service charges, which are expended for maintenance, operations and improvements to the sanitary sewer system.

In addition to the Water Resource Facility (WRF), the City is moving forward with other One Water projects. In 2018 the City completed OneWater Morro Bay to update previous water distribution, wastewater collection, and stormwater collection master plans and analyzed the City’s water supply options. The goal of these analyses was to identify feasible alternatives to correct infrastructure deficiencies and recommend a sustainable water supply portfolio to serve the community through the year 2040. OneWater Morro Bay included an array of projects that are budgeted and in the design phase. These projects are a priority and an update on the first phase of these projects is provided below.

CIP Status update: OneWater Collections system improvements 30 percent design which includes:

- Gravity Main along Atascadero Road
- Gravity Main along Main Street
- Gravity Main along Main Street
- Gravity Main along San Joaquin Street
- Gravity Main Beachcomber Drive
- Gravity Main Beachcomber Drive
- Gravity Main Beachcomber Drive
- Pipe R&R Program Upstream of LS-1
- Cap Replacement Upstream of LS-1

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

Cannon Engineering has completed the 30 percent design effort and it is currently in in their final review stages. City staff is anticipating documents for City staff review before the end of the year.

CIP Status update: OneWater water system improvements 30 percent design which includes:

- PRV on Juniper Avenue
- Nutmeg Tank Upgrade
- Fill line for Blanca Tanks
- Fill line for Nutmeg Tank
- Parallel pipeline on Juniper Avenue
- Pipeline on Sequoia Street
- Pipeline along Sequoia Street
- Elena tank and Booster Pump Station Upgrade

Cannon Engineering has completed the 30 percent design and design review is in the final stages. City staff is anticipating documents for City staff review before the end of the year.

CIP Status update: Rehab and coat six distribution system water storage tanks.

Cannon Engineering has completed a bid set, City staff is currently reviewing with anticipated posting for bids after the first of the year.

It is important to note that there has been a significant impact to some members of our community due to the COVID-19 pandemic. As a result the city has suspended penalties and shut-off reconnection fees. This has resulted in increased delinquent accounts. This is impacting both water and sewer revenues. For context, here is information about the number of delinquent accounts and the total amount of revenue these accounts owed for services provided. As you can see the City has seen a doubling of the number of delinquent accounts and almost six-fold increase in the the amount owed to the Water and Sewer Funds. Staff is very sensitive to these challenges our community members face and we are working to set up payment plans and other accomodations. This is likely the reason for reduced revenues in the first quarter as a percentage of budget that is reflected below in the water and sewer revenue funds

Utility Accounts and Financial Impacts April 2020 – November 2020		
Arrears Through	Number of Accounts	Total Arrears
4/1/2020	55	\$23,516.67
5/1/2020	69	\$31,814.29
6/1/2020	83	\$42,315.10
7/1/2020	90	\$52,699.68
8/1/2020	102	\$64,549.25
9/1/2020	121	\$78,781.82
10/1/2020	144	\$99,167.72
11/1/2020	190	\$139,792.72

A summary of each operating and revenue fund is found below, including overall revenues and expenditures and a breakdown of revenues by source.

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

Water Fund - 311

	<u>FY 18/19</u>	<u>FY 19/20</u>	<u>FY 20/21</u>
1st Quarter Actual Revenues	\$ 1,433,984	\$ 1,809,444	1,776,281
Fiscal Year Total Actual Revenues	\$ 5,747,726	7,430,278	
Fiscal Year Total Budgeted Revenues			\$ 7,540,200
1st Quarter Percent of Total	24.95%	24.35%	24.00%
1st Quarter Actual Expenditures	\$ 4,789,362	\$ 2,033,539	\$ 1,404,490
Fiscal Year Total Actual Expenditures	\$ 7,019,772	\$ 4,613,132	
Fiscal Year Total Budgeted Expenditures			\$ 4,013,815
1st Quarter Percent of Total	68.23%	44.08%	34.99%
Recommended Budget Revision Revenues			No Change
Recommended Budget Revision Expenditures			No Change

Water Fund Revenues

	<u>FY 18/19</u>	<u>FY 19/20</u>	<u>FY 20/21</u>
1st Quarter Water Service Revenues	\$ 1,377,295	\$ 1,346,679	\$ 1,339,446
Fiscal Year Total Actual Revenues	\$ 5,501,111	\$ 5,741,692	
Fiscal Year Total Budgeted Revenues			\$ 5,786,000
1st Quarter Percent of Total	25.04%	23.45%	23.15%
1st Quarter Water WRF Surcharge Revenues	\$ -	\$ 421,595	\$ 410,911
Fiscal Year Total Actual Revenues	\$ -	\$ 1,553,558	
Fiscal Year Total Budgeted Revenues			\$ 1,654,000
1st Quarter Percent of Total	0.00%	27.14%	24.84%
1st Quarter Other Water Revenues	\$ 56,689	\$ 41,170	\$ 25,924
Fiscal Year Total Actual Revenues	\$ 246,615	\$ 135,028	
Fiscal Year Total Budgeted Revenues			\$ 100,201
1st Quarter Percent of Total	22.99%	30.49%	25.87%

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Sewer Fund - 321

	<u>FY 18/19</u>	<u>FY 19/20</u>	<u>FY 20/21</u>
1st Quarter Actual Revenues	\$ 1,538,040	\$ 2,196,682	\$ 2,135,629
Fiscal Year Total Actual Revenues	\$ 6,940,807	\$ 9,113,745	
Fiscal Year Total Budgeted Revenues			\$ 9,177,000
1st Quarter Percent of Total	22.16%	24.10%	23.27%
1st Quarter Actual Expenditures	\$ 574,538	\$ 585,544	\$ 611,407
Fiscal Year Total Actual Expenditures	\$ 2,758,204	\$ 3,108,681	
Fiscal Year Total Budgeted Expenditures			\$ 3,414,406
1st Quarter Percent of Total	20.83%	18.84%	17.91%
Recommended Budget Revision Revenues			No Change
Recommended Budget Revision Expenditures			No Change

Sewer Revenue Fund

	<u>FY 18/19</u>	<u>FY 19/20</u>	<u>FY 20/21</u>
1st Quarter Sewer Service Revenues	\$ 1,528,297	\$ 1,599,897	\$ 1,563,545
Fiscal Year Total Actual Revenues	\$ 6,891,724	\$ 6,891,724	
Fiscal Year Total Budgeted Revenues			\$ 6,946,000
1st Quarter Percent of Total	22.18%	23.21%	22.51%
1st Quarter Sewer WRF Surcharge Revenues	\$ -	\$ 577,701	\$ 563,212
Fiscal Year Total Actual Revenues	\$ -	\$ 2,172,277	
Fiscal Year Total Budgeted Revenues			\$ 2,173,000
1st Quarter Percent of Total	0.00%	26.59%	25.92%
1st Quarter Other Sewer Revenues	\$ 9,743	\$ 19,084	\$ 8,872
Fiscal Year Total Actual Revenues	\$ 49,083	\$ 49,744	
Fiscal Year Total Budgeted Revenues			\$ 58,000
1st Quarter Percent of Total	19.85%	38.36%	15.30%

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

Water Reclamation Facility Capital Project

The Water Reclamation Facility (WRF) project has been on-going for many years. As of FY 2017/18 staff established a separate capital project to account for the transactions associated with this project. Prior to that the costs had been captured through various sewer related accounts.

Below is a snapshot of expenditures, by category for the WRF project for the first three months of FY 2020/21, including all prior year project costs. The summary below does not include legal costs associated with potential litigation expenses. Please note that the summary below only captures invoices paid as of September 30, 2020 and therefore will not align with the monthly reports provided by the City's Project Manager as those reports capture invoices in process.

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

WWTP RELOCATION & TRMT ALTERNATIVE (WRF) March 2013 - September 30, 2020						Project 922 - 8312
SOURCE OF FUNDS	Prior Yrs Actuals 3/2013 - 6/30/19	2019/20 Estimated Actuals	2020/21 Budget & Carryfwd *	20/21 1st Qtr Actuals	% of City Budget	Total Project
GRANTS & AWARDS	-	75,000	-			75,000
SEWER ENTERPRISE ACCUM FUND	8,749,474		-			8,749,474
WATER ENTERPRISE ACCUM FUND	2,264,438		-			2,264,438
WIFIA LOAN DRAWS Rec'd in Period		6,862,051	47,312,544	6,093,393	13%	61,700,337
CLEAN WATER STATE REV FUND LOAN	-	10,300,000	-			10,300,000
STATE REV LOAN/COPS PROPOSED FINANCING						47,507,113
TOTAL SOURCE OF FUNDS	11,013,912	17,237,051	47,312,544	6,093,393	13%	130,596,362
USE OF FUNDS	Prior Yrs Actuals	2019/20 Estimated Actual	2020/21 Budget & Carryfwd *	20/21 1st Qtr Actuals	% of City Budget	Total Project
SEWER ENTERPRISE ACCUM FUND						
4999 Labor Cost Applied (Salary)	394,475	96,252	82,647	7,219	9%	745,555
Fringe Benefits	106,691	11,110	22,353	1,970	9%	186,723
<i>Salaries and Benefits</i>	501,166	107,362	105,000	9,189	9%	932,278
5114 Lab Testing Supplies	-	-	-			-
5199 Supplies & Equipment	182,921	1,372	1,287	20	2%	188,263
6101 Legal Services - General	54,877	152,329	120,000	2,378	2%	577,206
6107 Advertising	-	-	-			-
5307 Blueprint/Copy Charges	-	-	-			-
6220 Postage (Included in 6710)	7,997	2,198	2,063			16,556
6301 Electricity	2,500	-	120,333			789,500
6303 Water			13,000	3,178	24%	
6510 Meetings & Confr	875	963	903			4,623
6513 Meals & Lodging	3,009	-	-			3,009
6514 Travel Expense	12,032	2,824	2,650			23,026
6640 Maintenance Contracts	44,776	-	-			44,776
6710 Notices & Publications	31,923	3,405	3,195	704	22%	45,180
<i>Services/Supplies/Equipment</i>	340,910	163,092	263,432	6,280	2%	1,692,138
6104 Engineering Services	283,569	219,042	158,947	17,902	11%	667,807
6105 Consultation Services	3,309,027	179,485	17,526			3,742,550
6106 Contractual Services	22,930	-	-			22,930
6152 Outside Lab Testing	10,947	44,564	94,489	2,419	3%	150,000
6161 Licenses & Permits	1,535	341,857	12,402			381,630
6195 Rate Study	-	-	-			-
6196 Prog Mgmt & DB Procure	1,929,839	1,925,847	3,187,873	218,200	7%	10,811,589
6197 Grant Support	157,556	60,275	11,192			229,022
6198 Government Relations	118,296	54,340	27,000	13,552	50%	199,636
6640 Maintenance Contracts	-	-	-			-
<i>Construction Soft Costs</i>	5,833,698	2,825,409	3,509,428	252,073	7%	16,205,165
7101 Land Acquisition	26,000	760,352	500,000	432,252	86%	1,286,353
Design/Build - On-site Imprv Design						
7103 Phase	3,163,060	5,772,046	3,105,630	885,483	29%	15,663,973
7104 Desgin-Lift Station/Force Main	744,502	1,160,143	160,750			2,152,387
7105 Planning & Permitting	398,006	168,109	-			616,114
Design-Inj Wells & Recycled Water						
7106 Pipeline	6,570	-	29,167			456,570
6106 Contractual Services	-	-	-			-
7107 Design/Build - On-site Imprv Build Phase	-	6,280,539	25,122,154			60,711,873
7108 Injection Well Construction	-	-	-			3,425,000
7109 Liftstation/FM Construction	-	-	14,366,983			27,291,512
7107 Design/Build - On-site Imprv Build Phase	-	-	-			-
7110 Pilot Well Construction	-	-	150,000			150,000
<i>Construction Costs</i>	4,338,138	14,141,189	43,434,685	1,317,735	3%	111,753,782
TOTAL SEWER ENTERPRISE	11,013,912	17,237,051	47,312,544	1,585,277	3%	130,583,363
TOTAL USE OF FUNDS	11,013,912	17,237,051	47,312,544	1,585,277	3%	130,583,363
<i>WRF Litigation*</i>	22,963			7,218		30,181
TOTAL USE OF FUNDS	11,036,875	17,237,051	47,312,544	1,592,495	3%	130,613,544

*Tracked as a separate project as these are unbudgeted costs that can not be anticipated

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Staff is recommending the following budget related actions by the City Council.

1. **Police Department Parking Annex Repairs and Repaving**

Action: Appropriate \$70,000 to a new General Fund CIP account in Fund 915

Source: Governmental Impact Fees - Police (balance = \$78,253 as of 10/29/2020)

Additional Direction: The parking lot was damaged during a neighboring construction project, and the entire lot needs to be repaved. The neighboring responsible party will reimburse the City the cost of repairing damage from a crane that was mobilized on this parking lot. Staff is currently estimating this cost to be approximately \$10,000. Staff recommends that whatever is received from the responsible party will be deposited in the Governmental Impact Fees - Police account.

2. **Harbor Fund – COVI-D-19 Rent Relief**

Actions: Authorize a one-year suspension of Consumer Price Index increase in lease rent rates, to assist lease holders through the COVID challenges. This will result in a \$34,000 reduction in anticipated revenue in revenue (budget account 331-3440). Of this amount, \$24,000 will be covered by revenues exceeding expenditures in the Harbor Operating Fund. Staff proposes appropriating the remaining \$10,000 from Fund 925 Triangle Lot Fund – Boat Storage Yard (Balance = \$15,384).

3. **Harbor Fund – Funding for Lease Site Improvements**

Actions: Appropriate \$50,000 to Harbor Operating Fund for leasehold improvements at the former Morro Bay Aquarium building (Lease Site 69-70/69W-70W). These improvements will allow for 3 Stacks and Rock Brewery to open their business at the site (once construction and onsite improvements are completed and COVID-19 restrictions are lifted).

Source: Harbor Accumulation Fund (Balance = \$333,760)

4. **Fill Police Officer Vacancy**

Action: Authorize actions necessary to repurpose \$52,400 of existing budget authority in Measure Q to fund the hiring of one police officer. Amount equals fully loaded cost for the remainder on FY 20-21

Source: Capital Improvement Fund Pavement Management Project

Additional Information: \$325,000 of Measure Q funds are budgeted in FY20-21 CIP. This recommended action is consistent with input received from CFAC during consideration of the FY20-21 proposed budget and community priorities established in the survey conducted in late 2019.

5. **Study of Parking Management Strategies and Best Practices**

Action: Appropriate \$49,500 from unassigned fund balance in the Parking In-lieu Fund (Fund 299)

Additional Information: The contract moved forward following Council approval earlier this year. (Balance = \$364,839)

6. **Wayfinding Signs Fabrication and Installation**

Action: Appropriate \$150,000 to a General Fund CIP Account for purposes of implementing a CIP project.

Source: Economic Development Fund (Diablo Canyon Plant Closure Senate Bill 1090 funds).

Additional Information: These funds must be used for Economic Development. Having Morro Bay be easy to navigate for residents, businesses and visitors is a worthy economic development measure. This project is mentioned as a priority project in the adopted FY2020/21 Budget.

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2020/21

CONCLUSION

The financial results from the first quarter FY 20/21 are promising but there are many and significant uncertainties ahead. Staff will continue to closely monitor revenue and expenditure activity and work to identify opportunities and challenges that need council action, whether at a scheduled budget review or off cycle.

RESOLUTION NO. 101-20

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
APPROVING AMENDMENTS TO THE CITY'S FISCAL YEAR 2020/21 BUDGET
TO AUTHORIZE VARIOUS BUDGET ADJUSTMENT**

**THE CITY COUNCIL
City of Morro Bay, California**

WHEREAS, first-quarter adjustments were approved during the December 8, 2020 Special City Council meeting; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay, California,

1. The operating and capital budgets of the City are amended by the budget adjustment as shown on the attached Exhibit A, that were approved at the December 8, 2020 Council Meeting.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a special meeting thereof held on the 8TH day of December 2020 by the following vote:

AYES:
NOES:
ABSENT:

JOHN HEADDING, Mayor

ATTEST:

DANA SWANSON, City Clerk

FY 2020-21 First Quarter Budget Adjustment

1. **Police Department Parking Annex Repairs and Repaving**
Action: Appropriate \$70,000 to a new General Fund CIP account in Fund 915
Source: Governmental Impact Fees - Police Fund (Fund 900)
Additional Direction: The parking lot was damaged during a neighboring construction project, and the entire lot needs to be repaved. The neighboring responsible party will reimburse the City the cost of repairing damage from a crane that was mobilized on this parking lot. Staff is currently estimating this cost to be approximately \$10,000. Whatever funding received from the responsible party shall be deposited in the Governmental Impact Fees - Police account (Fund 900)
2. **Harbor Fund – COVID-19 Rent Relief**
Actions:
Authorize a one-year suspension of Consumer Price Index increase in lease rent rates, to assist lease holders through the COVID challenges.
Authorize \$34,000 reduction in anticipated revenue (revenue account 331-3440)
Appropriate \$10,000 from Fund 925 Triangle Lot Fund – Boat Storage Yard
3. **Harbor Fund – Funding for Lease Site Improvements**
Actions: Appropriate \$50,000 to Harbor Operating Fund for leasehold improvements at the former Morro Bay Aquarium building (Lease Site 69-70/69W-70W).
Source: Harbor Accumulation Fund (Fund 953)
4. **Fill Police Officer Vacancy**
Action: Authorize actions necessary to repurpose \$52,400 of existing budget authority in Measure Q to fund the hiring of one police officer. Amount equals fully loaded cost for the remainder on FY 20-21
Source: Capital Improvement Fund Pavement Management Project funded by Measure Q
5. **Study of Parking Management Strategies and Best Practices**
Action: Appropriate \$49,500 from unassigned fund balance in the Parking In-lieu Fund (Fund 299)
6. **Wayfinding Signs Fabrication and Installation**
Action: Appropriate \$150,000 to a General Fund CIP Account for purposes of implementing a CIP project.
Source: Economic Development Fund -Diablo Canyon Plant Closure Senate Bill 1090 funds. (Fund 907)